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AZ CORP COMMISSION  
DOCUMENT CONTROLFROM: Deborah R. Scott  
Director  
Utilities Division

AUG 29 2000

DATE:

*August 29, 2000*  
~~August 15, 2000~~

DOCKETED BY

RE: IN THE MATTER OF THE APPLICATION OF GARDNER WATER  
COMPANY, FOR APPROVAL OF THE SALE OF ASSETS AND TRANSFER  
OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY  
DOCKET NOS. W-02373A-00-0376 AND W-03880A-00-0376

Attached is the Staff Report for the above referenced application. Staff is recommending approval of the application following a hearing.

Originator: Mark A. DiNunzio

Attachment: Original and Eleven Copies

**STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION**

**IN THE MATTER OF THE APPLICATION OF GARDNER WATER COMPANY  
FOR APPROVAL OF THE SALE OF ASSETS AND TRANSFER OF ITS CERTIFICATE OF  
CONVENIENCE AND NECESSITY**


**DOCKET NOS. W-02373A-00-0376 AND W-03880A-00-0376**

**August 2000**

## STAFF ACKNOWLEDGEMENT


The Staff members designated below contributed elements of this Staff Report.

### CONTRIBUTING STAFF MEMBERS:



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Executive Consultant



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Introduction:

On May 31, 2000, Gardner Water Company ("Gardner") filed an application for a sale of assets and transfer of its Certificate of Convenience and Necessity ("Certificate") to JNJ Enterprise, L.L.C. ("JNJ").

Background and Staff Analysis:

Gardner provides water service to approximately 82 customers (1999 Annual Report) in Gila County, Arizona.

In the transfer application, Gardner is transferring all assets and its Certificate to JNJ. JNJ is purchasing Gardner's assets for \$50,000. There are no refunds due on main extension agreements and no refunds due on meter and service line installations. Staff recommends that the Commission defer consideration of an acquisition adjustment, if any, until JNJ's next rate proceeding. There are no security deposits to be refunded.

The daily average water usage in June, Gardner's peak usage month, shows 70 gallons per day per customer ("gpcd"). The water use data also shows that Gardner's low usage month, February, reported a daily average usage of 12 gpcd. Gardner's average water usage per customer appears much lower than the typical U. S. residence. According to the current owner, the majority of its customers are weekend and/or holiday users.

The Gardner system has adequate storage capacity to serve the 82 existing customers, although the system has experienced a 37% water loss in the past thirteen months. Engineering Staff recommends that Gardner take steps to reduce its water loss to a maximum of 10% and address any costs associated with its efforts to do so at its next rate case application.

The Arizona Department of Environmental Quality ("ADEQ") states that Gardner is delivering water that does not exceed any Maximum Contaminant Levels ("MCL") and is in compliance with Safe Drinking Water Rules. Furthermore, JNJ will retain the current certified operator of the water system (Letha Jean Gardner) until such time as JNJ becomes a certified water operator. Staff recommends JNJ submit a copy of its operator certification to the Commission prior to becoming its certified operator.

Gardner is not in an Active Management Area as defined by the Arizona Department of Water Resources.

Gardner is current on their taxes but is out of compliance with a prior Commission Order. In Decision No. 60564, the Commission had ordered Gardner to install well meters. During Staff's July 5, 2000 inspection, it found that Gardner had not installed a well meter on Well No. 2 (Well ID #55-627384). Staff recommends conditional approval of the application pending

Gardner's completion of the well meter installation within 30 days from the effective date of the Commission's Order. The Commission also ordered, in Decision No. 60564, Gardner to install two individual meters for the two unmetered customers. During its inspection, Staff also found that Gardner had not installed the meters. Staff recommends conditional approval of the application pending Gardner's completion of the well meter installation on Well No. 2 and the installation of the two individual meters within 30 days from the effective date of the Commission's Order.

Staff has been apprised that Well No. 2 dried out in June of this year and that Gardner hired a well driller to deepen the well. Well No. 2 was back in service before July 4, 2000. According to Gardner, the cost of this work was less than \$12,500; therefore, Gardner is exempt from ADEQ's Certificate of Approval to Construct requirement. It is Staff's recommendation that Gardner should forward copies of any invoices for the well drilling work to the new owner after the purchase is completed.

Recommendations:

Staff recommends approval of the application of Gardner Water Company for the sale of assets and transfer of the Certificate of Convenience and Necessity to JNJ Enterprises, L.L.C.

Staff further recommends that Gardner comply, within 30 days from the effective date of the Commission's Order, with Decision No. 60564, and install well meters on Well No. 2 and the installation of the two individual meters.

Staff further recommends that the Commission's Decision covering the sale of assets and transfer of the Certificate of Convenience and Necessity to JNJ Enterprises, L.L.C. be considered null and void without further order from the Commission should Gardner fail to meet the above condition within the time specified.

Staff further recommends that Gardner should forward copies of any invoices for the well drilling work to the new owner after the purchase is completed.

Staff recommends JNJ submit a copy of its operator certification to the Commission prior to becoming its certified operator.

Staff further recommends that Gardner take steps to reduce its water loss to a maximum of 10% and address any costs associated with its efforts to do so at its next rate case application.

Staff further recommends that JNJ Enterprise, L.L.C. be ordered to charge Gardner Water Company's existing rates and charges until further order of the Commission.